

## WHAT IS THE KENTUCKY TEACHERS' RETIREMENT SYSTEM?

Its legal name is "Teachers' Retirement System of the State of Kentucky." However, to save space and time, we will refer to it as the Kentucky Teachers' Retirement System or KTRS.

The law establishing KTRS was enacted in 1938. Because no financing was provided, KTRS did not become effective until July 1, 1940, when the first contributions were made by members and matched by the State through legislative appropriation.

## TYPE OF SYSTEM

KTRS is classified as an "actuarial reserve, joint-contributory" system, meaning that contributions of the members, the State, and the income earned on KTRS investments are placed in reserve to pay for your annuity obligation at retirement. This is an important and valuable difference from a pension or welfare type program where payments depend upon the decisions of a legislative body or the contributions of future members. "Joint-contributory" means that the employee (member) and the employer (state) make equal contributions to provide annuities. In accordance with the Internal Revenue Service KTRS meets all the requirements under section 401A of the IRS code.

## ADMINISTRATION

KTRS administration is the responsibility of a Board of Trustees consisting of nine members. Two of these, the Chief State School Officer and the State Treasurer, are ex-officio, serving by reason of their constitutional office. The remaining seven trustees are elected to four-year staggered terms by KTRS members. The law requires that four trustees be active members, one trustee be a retired member, and two trustees be persons from outside the profession. KTRS is an independent state agency and is not a part of any

department of state government. Only the General Assembly may amend or change the independent status of KTRS.

The Board of Trustees appoints an Executive Secretary who is responsible for administering KTRS under the policies established by the Board. The Board's regular meeting date is the third Monday of March, June, September, and December.

## MEMBERSHIP

KTRS membership is mandatory for all persons in eligible agencies occupying positions which require either certification or graduation from a four (4) year college or university as a condition of employment. Additionally, any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers shall be a member of the retirement system, regardless of whether certification or graduation from a four (4) year college or university is required. **University employees, however, must be employed on a full-time basis (seven-tenths or more of normal full-time service measured by the contract days remaining in the position for which they are employed) and must be filling a position requiring either certification or a four-year degree in order to be eligible for membership in KTRS.** Agencies eligible for participation in KTRS include public elementary and secondary schools, regional educational cooperatives, Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, the School for the Deaf, the School for the Blind, the Workforce Development Cabinet, the Kentucky Community and Technical College System, the Department of Education, the Education Professional Standards Board and other agencies as specified by law. Eligible members may combine service credit in KTRS and other public retirement systems in Kentucky to qualify for retirement benefits.

## BENEFIT FINANCING

Your benefits are financed by contributions of members and the State, plus investment income accruing from the investment of these contributions. Investment income is very important since it will finance over one-half of your retirement annuity. Prior service (i.e., credit for teaching before July 1, 1941) is financed by special legislative appropriation. Your contribution rate is 9.855% of your annual compensation. University members contribute at a rate of 6.16% since they also contribute to Social Security. When you file a membership application, an individual account is established. The funds credited to your account can be used only for the purpose of providing your annuity.

## CONTRIBUTIONS TO YOUR ACCOUNT

Your employer deducts the proper contribution from your salary each pay period and forwards it to KTRS. It is KTRS's responsibility to properly credit your account. However, this is your money, and it is your responsibility to have a basic knowledge of your account. Such knowledge may be to your benefit in the future.

Each reporting agency is required to forward all amounts deducted from salaries within 15 days following deduction. When these deductions have been made, they immediately become trust funds, and their use for any other school purpose is a serious breach of law.

Yearly, each board of education or institution makes a detailed annual report showing your salary, contributions, and service. After this report has been received and verified by KTRS, the contributions and service credit are posted to your account.

## **DEFERRED INCOME TAX PAYMENTS**

Effective August 1, 1982 you are no longer required to pay Federal and State income tax on your retirement contributions when deducted from your salary. Payment of Federal income tax on retirement contributions made after August 1, 1982 is deferred until you retire or withdraw your account from the system.

## **RELATION OF CONTRIBUTION, SALARY AND SERVICE CREDIT**

Your service credit and salary (both of which directly affect your right to retire and annuity amount) are determined on the basis of contributions and service credit reported by your employer. Any contribution less than the current contribution rate times your contract salary will result in a reduction in service credit and salary credit. If you are absent without pay or your salary is reduced, retirement regulations may allow you to purchase credit so that you will receive a full year of service credit. You should contact KTRS for details immediately since there is a time limit for most purchases.

## **BENEFICIARY DESIGNATION**

Perhaps your most important responsibility as an active member of the system is to maintain your beneficiary designation in a current status. Failure to do so can cause very serious consequences and possible loss of valuable benefits.

You should designate your spouse as beneficiary unless there are strong objections, because your spouse must be the primary beneficiary to be eligible for survivor benefits. If you marry after becoming a member, your spouse automatically becomes your beneficiary and your previous beneficiary designation is void. Divorce voids any previous beneficiary designation, and your estate automatically becomes the beneficiary. In the event of either marriage, divorce, or the beneficiary's death, you should file a new beneficiary designation

with KTRS. Neglect of this responsibility can be disastrous. You may name more than one beneficiary and may designate them as co-beneficiaries or in order of succession. Your beneficiary does not have to be a relative. You may name your estate although,

## **CHANGE OF NAME AND ADDRESS**

Your Social Security number is the positive identification of your account; however, it is your responsibility to send KTRS written notification of any status changes, such as name and address.

## **ANNUAL STATEMENT OF ACCOUNT**

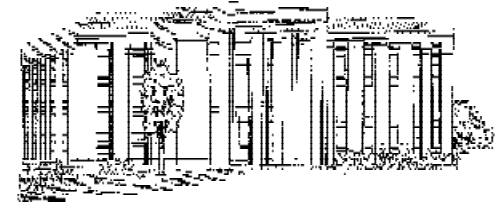
After the close of each fiscal year, you will receive an annual statement of your account. This will report to you the salary earned in the preceding year, the service credit earned in that year, the contribution made, the total monies in your account, and the total service credit. If you think there is an error in this statement write KTRS immediately. (NOTE: If your address is not updated, you will not receive a statement.)

## **QUESTIONS ABOUT YOUR ACCOUNT**

Please contact KTRS in writing when you have a question concerning your account. When corresponding, remember to use your given name, your Social Security number, and any pertinent facts relating to your specific question. A member or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement or eligibility for survivorship benefits to which that member or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty days of the claimant's first notice of the retirement system's decision.

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY  
479 VERSAILLES ROAD \* FRANKFORT, KY 40601-3800  
TELEPHONE (502) 848-8500  
[www.ktrs.org](http://www.ktrs.org)

# **KENTUCKY TEACHERS' RETIREMENT SYSTEM**



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